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Message Text

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ACTION STR-07

INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-11
OIC-02 JUSE-00 DOEE-00 SSO-00 /169 W
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P 151436Z JUN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 0886
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USMTN

STR FOR ACTION

STR PASS CODEL

E.O. 11652: N/A
TAGS: MTN, ETRD, CA
SUBJECT: CUSTOMS VALUATION: CANADIAN DEL SUBMISSION

1. CANADIAN DEL DISTRIBUTED PAPER ON PRE-CONDITIONS NECESSARY FOR GOC PARTICIPATION IN CUSTOMS VALUATION CODE DURING PLURILATERAL CUSTOMS VALUATION MEETING (HAND CARRIED TO WASHINGTON BY WILSON/STR). PAPER SUBSEQUENTLY WAS DISTRIBUTED TO U.S. BY AMBASSADOR GREY IN US/CANADIAN TOUR D'HORIZON. PAPER INDICATES FIVE PRECONDITIONS FOR GOC TO CONSIDER PARTICIPATION IN CUSTOMS VALUATION CODE. THE FIVE CONDITIONS CONSIST OF: WELL-KNOWN CANADIAN POSITION IN FAVOR OF DERO-
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GATIONS FROM PROVISIONS OF CODE FOR (1) USED OR OBSO-LETE GOODS; (2) OTHER THAN PRIME QUALITY GOODS, SUCH AS CLOSE-OUTS OR DISCONTINUED LINES; AND (3) GOODS FOR ASSEMBLING, PACKAGING OR USE IN MANUFACTURING IN THE IMPORTING COUNTRY. ADDITIONALLY THE GOC WANTS LIMITATIONS ON TREATMENT OF ASSISTS IN CUSTOMS VALUE, AS WELL AS A GENERAL RECOGNITION THAT ACCEPTANCE OF A NEW VALUATION

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CODE WDULD REDUCE CANADA'S VALUATION BASE AND THEREFORE WOULD REQUIRE ADJUSTMENT IN TARIFF RATES TO COMPENSATE FOR SUCH VALUATION REDUCTION. PAPER ALSO CONTAINS STATEMENTS CONCERNING CIF/FOB, NON-MARKET ECONOMY COUNTRIES, AND TESTS FOR NON-ARM'S LENGTH TRANSACTIONS. OF THE ITEMS, CANADIAN DEL INDICATED THAT FIRST THREE CONCERNING DEROGATIONS FROM CODE ARE MOST IMPORTANT.
2. U.S. DEL (NEWKIRK) RESPONDED THAT THE CUSTOMS VALUATION NEGOTIATIONS HAVE BEEN PROGRESSING ON THE BASIS OF DEVELOPING A NEUTRAL VALUATION SYSTEM. ADDITIONALLY, U.S. DEL NOTED THAT IF CANADIAN DEL ATTEMPTED TO INSERT DEROGATIONS IN VALUATION DRAFT, THE U.S. WOULD BE UNDER SIGNIFICANT PRESSURE TO REINSERT U.S. DEROGATIONS FOR PARTICULAR DOMESTIC INDUSTRIES, SUCH AS BENZENOID CHEMICALS AND RUBBER FOOTWEAR. MORE IMPORTANTLY, WE WOULD ANTICIPATE THAT LDC'S ALSO WOULD REQUEST PARTICULAR DEROGATIONS FOR THEIR INDUSTRIES.

3. MCDONALD/GREY MEETING - AMBASSADOR GREY RAISED CANADIAN POINTS MENTIONED IN PARA 1 DURING TOUR D'HORIZON WITH AMB. MCDONALD ON JUNE 7. GREY STATED THAT CANADIAN PROBLEMS WOULD HAVE TO BE DEALT WITH BEFORE GOC AGREES TO PARTICIPATE IN CUSTOMS VALUATION NEGOTIATIONS. MCDONALD RESPONDED THAT THE U.S. WAS HOPEFUL THAT CANADA WOULD JOIN THE NEGOTIATIONS BUT STRESSED THAT THE U.S. COULD NOT ACCEPT DEROGATIONS FROM THE CODE OR
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WIDE-SCALE COMPENSATORY TARIFF ADJUSTMENTS. HE URGED THE GOC TO MAKE A DECISION ON WHETHER THEY WOULD PARTICIPATE IN THE CUSTOMS VALUATION CODE BEFORE JUNE 19, STRAUSS/WARREN MEETING.

4. COMMENT: THE CURRENT STATE OF THE VALUATION DISCUSSIONS HAS CLEARLY PASSED BY THE POINT FOR INITIATIVES SUCH AS THE CANADIAN DEMANDS. MTN DEL IS CONCERNED THAT IF GIVEN SERIOUS CONSIDERATION, CANADIAN PRECONDITIONS WOULD HAVE AN OVERALL DETRIMENTAL EFFECT ON THE PROGRESS OF THE VALUATION NEGOTIATIONS AND CONSTITUTE AN UNACCEPTABLE PRECEDENT FOR OTHER PARTICIPANTS. WE THEREFORE URGE A STRONG NEGATIVE REACTION TO THE CANADIAN DEMANDS IN THE COURSE OF THE STRAUSS/WARREN MEETINGS ON JUNE 19. END COMMENT.

5. DRAFTED BY SHELLEY/WHITE. MCDONALD

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To: STATE
Type: TE
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